

Message Text

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ACTION EB-11

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TO SECSTATE WASHDC 4891

INFO AMEMBASSY LONDON

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TAGS: ETRN, EI

SUBJ: CIVAIR IRISH AIRLINES REPORTS SECOND SUCCESSIVE LOSS

SUMMARY: IN ANNUAL REPORT FOR YEAR ENDING MARCH 31, 1973, IRISH AIRLINE REPORTED NET LOSS OF 2.23 MILLION POUNDS STERLING, SLIGHT IMPROVEMENT OVER LOSS RECORDED IN PREVIOUS FINANCIAL YEAR. AMONG FACTORS LISTED AS CAUSING LOSS WERE 1) UNECONOMIC ATLANTIC FARE LEVELS, 2) INTERNATIONAL CURRENCY CRISES, 3) FURTHER DETERIORATION IN NORTHERN IRELAND SITUATION, 4) IRISH INFLATION RUNNING AT NEARLY HIGHEST RATE IN EUROPE WHICH CONTRIBUTES TO SALARY AND FUEL PRICE INCREASES, 5) DECLINE IN PASSENGERS CARRIED (WHICH RELATED TO OTHER CAUSES LISTED ABOVE). TRANSATLANTIC CARRIER AER LINTE HAD NET LOSS OF 3.12 MILLION POUNDS, WHILE SHORTHAIL CARRIER AERL LINGUS HAD NET PROFIT OF 880,000 POUNDS. NEWSPAPER COMMENTARY SUGGESTED THAT ABOUT ONE-HALF OF LOSS COULD BE ACCOUNTED FOR BY FACT THAT ONE OF AIRLINES' TWO JUMBO JETS WAS IDLE MOST OF PERIOD.

1. IN PRESENTING REPORT, IRISH AIRLINE EXECUTIVES STRESSED THAT KEEPING LOSS TO AMOUNT SLIGHTLY BELOW LAST YEAR'S TOTAL WAS CONSIDERABLE ACHIEVEMENT IN UNCLASSIFIED

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VIEW PROBLEMS FACED BY AIRLINE. NORTHERN IRELAND

SITUATION WAS BLAMED FOR 6 PERCENT DECLINE OVER PREVIOUS YEAR IN TRANS-ATLANTIC TRAFFIC, FIRST TIME THAT ANY SUCH DECLINE HAD OCCURRED. CHIEF EXECUTIVE DARGAN WAS OPTIMISTIC FOR YEAR ENDING MARCH 31, 1974, STATING THAT TRAFFIC SO FAR THIS YEAR WAS ON TARGET AND NET LOSS MIGHT BE KEPT BELOW ONE MILLION POUND STERLING FIGURE BUDGETED FOR. EUROPEAN ROUTE TRAFFIC RISING PARTICULARLY WELL.

2. DARGAN SAID THAT AIRLINE INDUSTRY CONSIDERED NORTH ATLANTIC FARES ABOUT 15 PERCENT BELOW ECONOMIC LEVEL. THIS DID NOT MEAN IRISH AIRLINES WOULD SEEK RAISE FARES BY 15 PERCENT BUT THERE WAS URGENT NEED TO RATIONALIZE AIR SERVICES, TO MOVE TOWARD BULK TRAVEL AND SET AGREEMENT ON CHARTER FARES. CHARTER TRAFFIC HAD INCREASED BY 34 PERCENT, PASSENGER LOAD FACTOR HAD DECLINED FROM 63 TO 59 PERCENT, BUT CARGO TONNAGE WAS UP 15 PERCENT.

3. DARGAN NOTED THAT FROM 25 TO 30 PERCENT OF AIRLINE'S CAPITAL WOULD EVENTUALLY BE INVESTED IN ANCILLARY ACTIVITIES, INCLUDING ALREADY OPERATING TARA HOTEL IN LONDON, AND PLANNED HOLIDAY COMPLEXES IN ENGLAND, TENERIFFE, SPAIN, AND POSSIBLY ELSEWHERE.

4. IRISH INDEPENDENT FINANCIAL CORRESPONDENT COMMENTED THAT 1.1 MILLION POUNDS OF LOSS COULD BE ACCOUNTED FOR BY DEPRECIATION AND CAPITAL SERVICING ON ONE OF AIRLINE'S TWO JUMBO JETS WHICH WAS MAINLY IDLE DURING PERIOD. IRISH AIRLINES TRADE JOURNAL MADE NO MENTION OF THIS THEORY, BUT COMPANY'S ACCOUNTS EXECUTIVE CONFIRMED TO EMBOFF THAT THIS WAS INDEED A VALID POINT. HE ALSO AGREED THAT, IF US COURT JUDGEMENT AWARDED IRISH AIRLINES OVER 5 MILLION POUNDS STERLING FOR FIVE-YEAR JUMBO JET LEASE CONTRACT BROKEN BY TRANSCARIBBEAN HOLDS UP UNDER APPEAL, IRISH CAN SUBTRACT ABOUT ONE MILLION POUNDS
M
PER YEAR FOR EXPENSES. IRIH AIRLINES REPORTED THIS WEEK THAT ONE OF ITS TWO JUMBOS HAD BEEN LEASED
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TO AER SIAM FOR 19 MONTHS BEGINNING OCTOBER FOR UN-
DISCLOSED AMOUNT; THIS SHOULD HELP REDUCE FUTURE
LOSSES.

5. ONLY APPARENT MENTION BY DARGAN OF ADDED COMPETITION EXPECTED FROM AGREEMENT TO PERMIT US CARRIER TO FLY INTO DUBLIN WAS IN RELATION TO LEASING OF JUMBO, WHICH DARGAN DESCRIBED AS "VERY TIMELY".

6. EDITORIALS IN IRISH PRESS AND INDEPENDENT REVIEWED
PROBLEMS FACED BY AIR LINGUS BUT BOTH ENDED ON CAUTIOUSLY
OPTIMISTIC NOTE.

7. PUBLISHED REPORT WILL BE TRANSMITTED BY AIRGRAM
WHEN RECEIVED BY EMBASSY.
MOORE

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